STATUS OF THE CLAIMS

Claims 1-38 are pending in the Application.

Claims 1-38 are rejected by the Examiner.

Reconsideration of the present Application is respectfully requested.

REMARKS

Claims

Claim Rejections Pursuant to 35 U.S.C. §101

Claims 1-25 Rejection

Claims 1-25 stand rejected under 35 U.S.C. 101 as being unpatentable as non-statutory subject matter.

The Examiner again argues that the present invention is "merely an abstract idea," and that such ideas do not "apply, involve, [or] use the technological arts fail to promote the 'progress of science and the useful arts'". Applicant respectfully submits that the requirements of 35 U.S.C. 101 are satisfied if "the practical application of the abstract idea produces a useful, concrete and tangible result." In re Alappat, 31 U.S.P.Q. 2d 1545, 1558 (Fed. Cir. 1994); State Street Bank & Trust Co. v. Signature Financial Group, Inc., 47 U.S.P.Q. 2d 1596, 1601-02 (Fed. Cir. 1998).

The pending amended claims entail sophisticated methods for insuring risks via a computer program in a restructured energy industry, and computer-implemented systems for generating a physical, concrete insurance policy for insuring against such risks. These sophisticated methods are explicitly set forth in Section 101 as being patentable

subject matter, and hence cannot be considered abstract ideas by the Examiner. Further, the reduction of risk for the energy industry realized in a physical insurance policy is a useful, concrete and tangible result, therefore explicitly constituting patentable subject matter in light of *State Street Bank.*

As suggested by Examiner, Applicant has amended the claims in the present application to result in the issuing of an insurance policy <u>via a computer program</u>, which is, as the Examiner has stated, "a useful, concrete, and tangible result". Applicant respectfully submits that Examiner's rejection of claims 1- 25 under 35 U.S.C. §101 is now moot.

Consequently, Applicant traverses the 35 U.S.C. §101 rejection and respectfully requests its reconsideration and removal. Applicant asserts that independent Claims 1 and 26 are in a condition for allowance.

In addition, Applicant asserts that dependent Claims 2-25 and 27-38 are likewise in a condition for allowance, at least by virtue of the ultimate dependence on an allowable independent Claim.

<u>Claim Rejections Pursuant to 35 U.S.C. §103</u>

<u>I. Claims 1 and 26 Rejection Over Cited Art</u>

Claims 1 and 26 stand rejected pursuant to 35 U.S.C. §103(a) as being unpatentable over "Nuclear Power Plants Soon Will Have Two Cover Choices", Francine Brevetti, Journal of Commerce (1980). Examiner states that "Brevetti teaches a method for reducing risk in energy management".

Applicant traverses these rejections, and deems them overcome, for at least the reasons stated forth hereinbelow.

The insurance described in Brevetti provides coverage for "continuing expenses such as the principal and interest on financial obligations, payroll, and continuing maintenance and security costs . . .[i]n the event of physical loss or damage of a nuclear

generating unit." Although the Examiner relies on the mention of insurance related to 'power outages', **the Brevetti insurance described still requires a catastrophic event to trigger coverage**. See ¶12. The present invention does not rely on a catastrophic event, but rather is directed to the adequacy of the power supplied, and to the division of the risk that the supply will eventually become inadequate (see amended claim 1). The policy of Brevetti does not provide a method and system of insuring risks with predictable pricing based on risk assessment of the possibility of cost variability in power supply, and thus does not present a 35 U.S.C. § 103(a) prior art reference. The Brevetti article gives a description limited to insurance covering Acts of God and conventional outages. The article does not describe, in any manner, the claimed "**power replacement**" of the pending application.

II. Claims 1 – 38 Rejection Over Cited Art

Claims 1 – 38 stand rejected pursuant to 35 U.S.C. §103(a) as being unpatentable over "CIGNA Property & Casualty Launches New CIGNA Power Products Unit", PR Newswire Association (July 27, 1998), in view of "Business Interruption Boiler and Machinery Coverage", Insurance Service Office, Inc. (1994), "May, 1998 CIGNA Slide Presentation "CIGNA Power Products", Dennis Kane and "Not so risky business . . . ", Fitzgerald, Chemical Marketing Reporter (July 15, 1996), and in further view of "Commercial Property Risk Management and Insurance – Vol I", Rodda et al (3rd edition, 1998) and "Insurance Principles and Practices – Insurance of Property --- Fire", Riegel et al (1966). Examiner states that "it would have been obvious to one of ordinary skill in the art at the time of invention to implement a method of insurance a particular electrical power into a floppy disk . . . because . .. one MUST logically do in insurance business at least for efficiency and storage/retrieve purposes." [emphasis original].

Applicant traverses these rejections, and deems them overcome, for at least the reasons stated forth hereinbelow.

New CIGNA Power Products Unit", PR Newswire Association (July 27, 1998)

Applicant asserts that the July 27, 1998 CIGNA press release fails to teach or suggest all the claim limitations claimed subject matter of the present invention. In fact, the article does not describe any of the claim limitations of the present invention. The pending application entails sophisticated methods for allotting the majority of risks in a restructured energy industry, and computer-implemented systems for generating an insurance policy for insuring against such risks. For example, the assessment of the supplier's system power, and/or the power from that system that the purchaser desires to purchase, prior to designating insurance prices, provides for market pricing control in that, if the supplier bears the risk of instantaneous replacement in the event of an inadequacy, the market price for the purchaser will be higher than if the purchaser were to bear the risk. Conversely, the present invention allows for a decrease in market price wherein the purchaser agrees with the supplier that the purchaser is to bear this risk directly by insuring against a purchased-power shortfall. Thus, a supplier may seek insurance for system obligations to purchasers, rather than individual purchasers seeking to gain coverage for the effects of power shortfall on that purchaser, and the supplier may thereby indirectly, by increased market price mechanisms, pass only a portion of the costs for the instantaneous insurance against unplanned outages to purchasers, thereby eliminating direct insurance costs to the purchaser.

Further, this market-based insurance eliminates the need for a wait period on the part of the purchaser, during which the purchaser must go without power while a "named peril" event is cured by insurance, such as in the event that the purchaser waits for the purchaser's insurance to take effect, or the purchaser's insurer to locate needed power, or in the event that the purchaser awaits the repair or replacement, by the supplier's insurer, of the devices that caused the power shortfall.

This market-based insurance is not shown or suggested in this article. The article does not, in any detail, discuss any of the elements of the claimed inventions as defined by the claims of the present application, and thus fails as a reference under 35 U.S.C. § 103 (a).

International Risk Management Institute, Inc. "Commercial Property Insurance"

Examiner asserts, in error, that materials available to the insurance industry by the International Risk Management Institute, Inc. ("IRMI"), in a loose-leaf book entitled "Commercial Property Insurance" Volume III, constitute prior art under 35 U.S.C. §102(b). 35 U.S.C. 102(b) states in part that "a person shall be entitled to a patent unless (b) the invention was . . . *described* in a printed publication in this . . . country, more than one year prior to [the filing date]." [emphasis added]. *Id.* None of the examples from the IRMI book describe, in any detailed, the invention claimed in the pending application.

The examples provided from the IRMI book refer to "Boiler and Machinery Insurance," and include various policy provisions and forms. The cited reference points to policies and endorsements covering so-called "business interruption" and extra expense liabilities related to local power interruption. The explanation of these insurable objects, and the explanation of the purpose for the available coverages, i.e. local power interruption, does not describe the invention as claimed in the pending application in sufficient detail to enable one of skill in the art to make and/or use the invention. Interruption is a stoppage of power supply, which is clearly different from the inadequacy of the power supplied in the present invention.

For example, the IRMI book references specifically insurable on-site objects, such as equipment, and deals with local power interruption on a local catastrophic event basis, wherein a retail power company customer loses on-site generation capabilities, such as through the loss of a boiler. The power interruption insurance described by the IRMI is thus directed at retail users of electricity that may experience an interruption, such as a local interruption of power due to a local interruption caused by a catastrophic accident, such as on-site boiler or generator accident. Thus, the insurance coverage suggested by the IRMI book differs substantially from that of the pending application in that it does not describe predictable pricing of inadequate supplied power based on system risk assessment to insure against the possibility of variable costs.

Furthermore, Examiner fails to acknowledge that the insurance mechanisms of IRMI are taught against in the present invention. The IRMI book discloses only local catastrophic event policies, consistent with typical types of insurance. In contrast, the pending application combines custom tailored risk management solutions for power supply risks, which are an innovative means of managing budgets, reducing costs and obtaining greater flexibility in the restructured electric power industry, as discussed above. For example, the assessment of the supplier's system power, and/or the power from that system that the purchaser desires to purchase, prior to designating insurance prices, provides for market pricing control in that, if the supplier bears the risk of instantaneous replacement in the event of an inadequacy, the market price for the purchaser will be higher than if the purchaser were to bear the risk. Conversely, the present invention allows for a decrease in market price wherein the purchaser agrees with the supplier that the purchaser is to bear this risk directly by insuring against a purchased-power shortfall. Thus, a supplier may seek insurance for system obligations to purchasers, rather than individual purchasers seeking to gain coverage for the effects of power shortfall on that purchaser, and the supplier may thereby indirectly, by increased market price mechanisms, pass only a portion of the costs for the instantaneous insurance against unplanned outages to purchasers, thereby eliminating direct insurance costs to the purchaser. This market-based insurance is not shown or suggested in the referenced art.

In other words, the present invention is not directed to an on-site power generator outage, but rather is directed to a risk assessment of the possibility of variable costs in the provision of an adequate supply of desired power output. The pending application is, unlike IRMI, not an "on-site generation" policy, but, rather, is a policy directed to the receipt of power. Thus, the present invention provides for system coverage, wherein, for example, a system is insured for 10kMW, and output drops to 9kMW, and the present invention provides for coverage that starts at the time of the event, rather than at the time of on-site unit replacement. Examiner has failed to show that any of these methods and systems claimed in the pending application are described in the IRMI book.

<u>CIGNA Special Risk Facilities and E-SOURCE Strategies Issues Retreat", Kane, Slide Presentation (1998)</u>

Examiner cites the photocopies of a slide seminar entitled <u>E-Source Strategic Issues Retreat</u> ("Retreat") and raises the issue of obviousness with respect to the claimed subject matter.

Section 103 provides in part:

> (c) Subject matter developed by center person, which qualifies as prior art only under one ore more of subsections (e), (f), and (g) of Section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed inventions were, at the time of the invention was made, owned by the same person or subject to an obligation of assignment to the same person.

Thus, §103 (c) precludes the use of in-house §102 (e), (f) and (g) activity if the subject matter is patentable over prior art available outside the company. The inventor of the present invention was an employee at Cigna **<u>at the time of invention</u>** and a co-worker to Dennis Kane who is the identified author of the cited reference.

The presentation of the Retreat document was a restricted in-house document not authorized by ACE for distribution at the presentation. Copies of the Retreat document were not made for distribution, and the document was treated by ACE as confidential (*See* previously submitted Declaration of Ed Zaccaria). Consequently, the Retreat document was not accessible by the public or persons concerned with purchasing the insurance products to which the document relates. In fact, production of this document to the Patent Office may constitute a violation of contract and trade secret law on the part of the Person who supplied the document (*See* Protest filed July 3, 2002; EL 564216621 US). Therefore, the presentation document cited by the Examiner and the present invention is subject to an obligation of assignment to Ace, Ltd. and fails as prior art under §103 (a).

Not so Risky Business: An Increase in Insurance Capacity and an Improved Loss History are Leading to New Products and Approaches For The Chemicals Industry, Fitzgerald, Chemical Marketing Reporter, V 250 N3 (July 15, 1996)

Examiner cites and article by Fitzgerald entitled "An Increase in Insurance Capacity and an Improved Loss History are Leading to New Products and Approaches For The Chemicals Industry" ("the Business article") as a combination reference in the §103 (a) rejection. The Business article discusses changes occurring in the field of localized catastrophic insurance protection for chemical manufactures, and is not applicable to the pending application. The article fails to relate to the pending application because the insurance discussed insures actual property losses and associated physical consequences, and the "combined risks" approach relies on the company's ability to fund its own losses through financial instruments.

The cited article does not insure against the type of loss contemplated by the pending application. The article discusses insurance for catastrophic events, such as "Piper Alpha, Exxon Valdez or the Phillip's explosion." In contrast, the pending application claims, in part, insurance against risks in an energy industry wherein an electrical power purchaser has, for example, an underlying power supply contract with a contracting power supplier, wherein the contracting power supplier has no obligation to supply electrical power to the electrical power purchaser in the case of the contracting power supplier not meeting all or part of the supplier's power requirements under the supply power contract. The types of losses against which the pending application seeks to ensure are thus not "localized catastrophic losses," but rather are "insufficient supply" circumstances, and correspondent market price controls, in a power supply system. For example, the assessment of the supplier's system power and the power from that system that the purchaser desires to purchase, prior to designating insurance prices, and the seeking of insurance for system obligations to purchasers, rather than a purchaser seeking to gain coverage for the effects of power shortfall on the purchaser, is not shown or suggested in the referenced art. Additionally, the events covered by the type of traditional insurance set forth in Business article are localized physical damage events,

and thus are not the type of events insured by the pending application. The extent or nature of a catastrophe are not relevant to the claims of the pending application.

The Business article further describes the approach to catastrophic insurance coverage as a combination of traditional insurance coupled with a financial instrument. This type of risk coverage is a 'hedge' against a possible localized catastrophic equipment loss when and if the company's funds are low. Thus, in a sense, the "combined risks" approach of the Business article merely acts as a loan to the insured, allowing the insured to borrow from a "rainy-day fund." This approach sharply contrasts the invention of the pending application. The present invention offers advantages over financial instruments and other traditional insurance solutions, due to its ability to provide price predictability, and market price control, for an overall power supply system for the possible necessity of additional supply. The pending application does not 'hedge' against catastrophic losses, and thus does not operate as a "loan" as taught in the Business article.

Commercial Property Risk Management and Insurance – Vol. 1", Rodda et al., pp. 282-284 (3rd edition 1998)

The article cited by the Examiner entitled "Commercial Property Risk Management and Insurance – Volume I" ("Volume 1") is directed to local property losses, unlike the present invention. The description for "Extra Expenses to Operate" in Volume 1 intuitively explains that a business interruption might require additional expenses to preserve income. Volume 1 uses the example of a psychiatrist who, while the damaged office of the psychiatrist is being refurbished, needs to rent a temporary office to continue business. This example succeeds in showing only common everyday business economics involved in property losses, and does not illustrate a method and system of insuring system risks with predictable pricing based on risk assessment of the possibility of cost variability in power supply. For example, the assessment of the supplier's system power, and/or the power from that system that the purchaser desires to purchase, prior to designating insurance prices, provides for market pricing control in that, if the supplier bears the risk of instantaneous replacement in the event of an outage,

the market price for the purchaser will be higher than if the purchaser were to bear the risk. Conversely, the present invention allows for a decrease in market price wherein the purchaser agrees with the supplier that the purchaser is to bear this risk directly by insuring against a purchased-power shortfall. Thus, a supplier may seek insurance for system obligations to purchasers, rather than individual purchasers seeking to gain coverage for the effects of power shortfall on that purchaser, and the supplier may thereby indirectly, by increased market price mechanisms, pass only a portion of the costs for the instantaneous insurance against unplanned outages to purchasers, thereby eliminating direct insurance costs to the purchaser. This market-based insurance is not shown or suggested in the referenced art.

Insurance Principles and Practices – Insurance of Property - - Fire", Riegel et al., pp. 536-537 (1966).

Examiner cites the abovementioned reference which is asserted as being related to business interruption insurance. This same issue was raised above wherein Examiner cites the 1998 book "Commercial Property Risk Management and Insurance" Volume I. The explanation given in the present reference for "Extra Expenses Insurance" intuitively explains that a business interruption might require the payment of "extra expenses" to preserve income. The author describes the insurance in connection with "physical damage" or a catastrophic event. *See* p. 542-43. This example succeeds in showing only common everyday business economics for insuring against property loss, and does not teach or suggest the method and system of insuring risks with predictable pricing based on risk assessment of the possibility of cost variability in power supply, based upon intended coverage limits set by the insurer, irrespective of whether the intended coverage limits are below, equal to, or in excess of, the "excess expenses" of the insured.

Thus, the above references cannot render obvious Claims 1 or 26 of the present invention. *MPEP 706.02(j) (... the prior art reference (or references when combined) must teach or suggest all claim limitations.)* Consequently, Applicant traverses the 35

U.S.C. §103(a) rejections and respectfully requests their reconsideration and removal. Applicant asserts that independent Claims 1 and 26 are in a condition for allowance.

Applicant respectfully submits that, in order to establish a prima facia 35 USC §103(a) rejection, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the references or to combine the reference teachings. MPEP 706.02(j). "The examiner can satisfy the burden of showing obviousness of the combination only by **showing some objective teaching in the prior art, or that knowledge generally available to one of ordinary skill in the art** would lead that individual to combine the relevant teachings of the references." (emphasis added) In re Sang Su Lee, 00-1158, (Serial No. 07/631,240) , (Fed.Cir.2002) citing In re Fritch, 972 F.2d 1260, 1265, 23 USPQ2d 1780, 1783 (Fed.Cir.1992). Further, to establish a prima facia 35 USC §103(a) rejection **there must be a reasonable expectation of success**. MPEP 706.02(j). **Mere motivation is not sufficient.** In re Vaeck, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991). The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and **may not be based on Applicant's disclosure**. In re Vaeck, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).

The Official Action states that it would have been obvious to a person having ordinary skill in the art to utilize and/or combine the referenced teachings. However, Applicant again respectfully notes that this motivation is **not specifically from within the references, or specifically shown as being apparent to one of ordinary skill in the art**. Applicant respectfully submits that a proper 35 USC §103(a) rejection requires **not that the Examiner provide the Examiner's motivation for the prior art combination asserted**, but rather that **the motivation from within the prior art itself be provided for the combination cited**. Applicant respectfully submits that **the prior art does not provide any motivation for the cited combination**, and that the only motivation provided to make the cited combination has been that of the Examiner.

The Federal Circuit, with regard to 35 USC §103(a) obviousness rejections, has made it clear that "[t]he need for specificity pervades." See, e.g., In re Kotzab, 217 F.3d 1365, 1371, 55 USPQ2d 1313, 1317 (Fed.Cir.2000) ("particular findings must be made as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner *claimed*" [emphasis added]). **In the instant case, no specificity has been provided** to support that one of skill in the art would have combined, or would have been motivated to combine, the relevant teachings of the references in the manner *claimed*, as has been repeatedly required by the Federal Circuit. "The factual question of motivation is material to patentability, and could not be resolved on subjective belief and unknown authority." In re Sang Su Lee, (Fed.Cir.2002).

The Federal Circuit, in In re Sang Su Lee, 00-1158, (Serial No. 07/631,240), (Fed Cir. 2002), reversed a rejection based on a motivation to combine. "Bozek did not hold that common knowledge and common sense are a substitute for evidence, but only that they may be applied to analysis of the evidence. Bozek did not hold that objective analysis, proper authority, and reasoned findings can be omitted ... Nor does Bozek, after thirty-two years of isolation, outweigh the dozens of rulings of the Federal Circuit and Court of Customs and Patent Appeals that determination of patentability *must be based on evidence*." (emphasis added). Applicant respectfully submits that no objective evidence has been set forth in the Official Action as to any suggestion or motivation to combine the references as cited in the present Office Action, or that such a combination might present a reasonable expectation of success, and that this lack of evidence is adverse to the decision in Sang Su Lee.

Applicant thus respectfully submits that the skilled artisan would have found no motivated to combine the referenced teachings in the manner asserted, as the cited art itself provided neither a statement of such motivation, nor any evidence that such combination would have a reasonable likelihood of success. Applicant notes that the sole motivation provided appears to be that provided by the Examiner, not that provided in the prior art. **Applicant respectfully requests that, should the Examiner persist in**

the assertion that such motivation and reasonable expectation of success exists, and if the Examiner thereby intends to take judicial notice of such motivation and expectation of success, that the Examiner provide some evidence in the prior art that such a motivation and reasonable expectation of success is present in the prior art.

Further, Examiner is presently advancing the **same arguments** as in the Official Action dated January 12, 2004 and failed in the present Official Action to comment or satisfactorily respond to Applicant's remarks filed on April 12, 2004. Applicant respectfully submits that this constitutes "piecemeal" examination, in violation of MPEP § 707.07(g).

Dependent Claims

In addition, Applicant asserts that dependent Claims 2-25 and 27-38 are likewise in a condition for allowance by virtue of the ultimate dependence on independent Claims 1 and 26.

Respectfully Submitted,

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Date: December 17, 2004

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